

**Testimony of
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Senate Small Business & Entrepreneurship Committee
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Chairman Kerry, Ranking Member Snowe and Members of the Committee, thank you for the opportunity to testify before you regarding SBA's government contracting and business development programs.

I am Paul Hsu, Associate Administrator for Government Contracting and Business Development. I appreciate the opportunity to testify today on behalf of Administrator Preston, regarding the operations and successes of SBA's activities in this arena, and to briefly discuss our continued efforts to ensure greater transparency and accountability throughout the federal procurement process, especially in terms of increasing opportunities for small businesses.

I'd like to take the opportunity to share with you my experience with SBA's contracting and business development programs, and why I personally feel these programs are important to small and small disadvantaged firms.

I was born in Taiwan, and came to the United States in 1976. I obtained a Master's degree in Industrial Management and Systems Engineering from Central Missouri State University and a Ph.D. in Engineering Management from LaSalle University.

In 1984, I started my first company. Little by little, the company grew. After my company won its first contract, we needed working capital, money to buy parts and materials. I was able to find the financing we needed, with the help of an SBA-guaranteed loan. This was how I first came to know the Agency.

Later, my company was certified to participate in SBA's 8(a) Business Development Program. My company is an example of the power of this program to give businesses opportunities to grow, to prosper, and to give back to their communities - that they might never have had otherwise. For example, in the mentor protégé program, my firm's relationship with Boeing presented wonderful opportunities for us to learn, to develop our business, and to extend our reach. Later, it was my privilege to mentor another 8(a) program participant in rural Alabama.

SBA gave me the help I needed to develop a successful business. It provided me with access to capital, to training and developmental experiences, and to solid competitive opportunities. Simply put, without the help of this Agency, I could not have come as far as I have. I am proud that I am the product of SBA, and that I am living proof

that its programs work. For these reasons, I am honored to join an agency that I really believe in.

Government contracting dollars going to small businesses have grown significantly since FY 2000. There were \$30.6 billion more in small business prime contracts in FY 2005 than in FY 2000, supporting an estimated 235,000 jobs.

SBA recognizes the need for improving our Government Contracting programs, and is taking the lead, along with the Office of Management and Budget's Office of Federal Procurement Policy to carry out a number of initiatives, including working with agencies to ensure their reporting is accurate. The integrity of the data reported to Congress and the public is crucial to instill confidence in the Federal contracting system. Along with the Administrator of the Office of Federal Procurement Policy, Administrator Preston issued a memorandum to all federal agencies requiring them to review their procurement data and identify any necessary changes to help resolve apparent discrepancies in the Federal Procurement Data System.

Under Administrator Preston's leadership, SBA has taken a number of steps to make contracting data more transparent and accurate. Just last month, all federal agencies completed final review of FY 2006 data in the Federal Procurement Data System – Next Generation (FPDS-NG). We expect to publish an official small business goaling report for FY 2006 very shortly. We also will re-issue the FY 2005 report, based upon extensive analysis and scrubbing of data over the last twelve months. We believe that these reports may not be flawless. However, they will reflect substantial improvement in the quality of small business procurement information.

SBA will also publish the first Small Business Procurement Scorecard very soon. The scorecard is a method of ensuring that federal agencies provide the maximum possible opportunity for small businesses in the federal marketplace, consistent with statutory contracting goals. It reflects 'current' performance, and 'progress' in improving such performance. The new scorecard aligns with President Bush's Management Agenda, and data integrity is a key element of it. We have not completed our assessment of 'progress' information submitted by agencies. However, we believe that there may be a broad range of agency scores, ranging from 'red' to 'green.'

This scorecard, along with the advances made in FPDS-NG, are significant steps in adding transparency to the goaling process.

The way to increase competition further is to decrease practices like contract bundling and long-term sole-source contracting – which can be done with a strong commitment to procurement planning, and changing the way agencies approach contracting. Agencies have shown that they can change the way they do business, with proper encouragement, as has been demonstrated by the President's Management Agenda scorecard.

The Administration, through SBA's Small Business Procurement Scorecard, will give agencies the encouragement to meet the small business goals and give them credit for progress. The expectation is that it would provide the benefits such as sharing of best practices. Each scorecard will be tailored to the individual procurement characteristics of the agency and SBA will work with each agency to establish its milestones. Each agency will be measured against its own achievements.

We have developed simple, straightforward, and measurable criteria for the government-wide Small Business Procurement Scorecard. FY2006 will be the base year. We have draft scorecards for FY07 but until the FY06 data is available, they will not be made public.

I would like to take just a moment to let the committee know that SBA is in the process of implementing its new size re-certification rules. This new regulation requires small businesses to recertify their size status on long-term contracts at the end of the first five years of a contract and thereafter whenever a contract option is exercised. In addition, recertification is required for short-term contracts, when a small business is purchased by or merged with another business. Doing this will ensure that the data is more accurately reflected and further support our efforts to help small businesses receive more prime contracts throughout the federal government. Additionally, SBA has asked over 1,000 large prime contractors to identify any small business contracts they or their subsidiaries and divisions hold in order to more accurately report small business awards to Congress. This is yet another step in providing more accurate and transparent contracting data that will lead to more opportunities for small businesses to compete in the federal marketplace.

Along with the ensuring more accurate and transparent data, SBA is focused on a number of other initiatives with the Government Contracting and Business Development arena. These include Administrator Preston's initiative of expanding opportunities for small business including underserved markets such as women owned small businesses, HUBZone certified firms, and service disabled veteran owned small businesses.

SBA's FY 2008 Budget includes a request for \$500,000 to examine how best to serve the 8(a), HUBZone, and Small Disadvantaged Business Communities, as well as women owned and service disabled veteran owned small businesses. We recognize the need to improve the effectiveness of these important programs and will use these resources to determine how to best serve these communities. We will be analyzing, among other things, training and use of technology.

Furthermore, SBA has already committed to and is in the process of bringing on board additional Procurement Center Representatives, with a proposal in our FY 2008 budget request to fund 5 additional PCRs. We will be very focused on backfilling any positions that become vacant in a timely fashion as we realize the importance these individuals play.

To better serve small businesses who do business with the government, SBA is redefining roles and responsibilities so that PCRs can devote more time to finding opportunities for small businesses while the district offices and SBA and non-SBA resource partners will be devoting more time to getting small businesses ready to do business.

Chairman Kerry, this concludes my testimony. I look forward to answering any questions you may have.